A STUDY ON FINANCIAL ANALYSIS OF AVENUE SUPERMARKET(DMART)

ABSTRACT

The term financial performance analysis refers to the process of determining the growth aspect, strength, weakness, opportunities, threats of the organization by establishing relationship between the items in the balance sheet and profitless account. The study used 5years of dmart industries available secondary data and main objective of the study is to find out the growth aspect of the organization in respective 5 years. The various tools like current ratios, liquidity ratios ,solvency ratios, profitability ratios are used to arrive at the findings and to provide valuable suggestion that helps the organization to have a look into the growth aspects of the organization .The study reveals that there was gradual rise and fall in the growth of the company during the study period and was satisfactory.

KEYWORDS: Growth aspects, rise and fall, financial analysis

INTROUCTION

Financial performance analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. It also helps in short-term and long-term forecasting and growth can be identified with the help of financial performance analysis. Information about financial performance of an enterprise during the financial period is primarily provided in an income statement or profit and loss account. This shows income, expenditure and finally net profit. The ability to understand, analysed, interpret and use of information given in the financial statements depends upon the understanding of accounting and finance. This process used to clearly understand the growth of long term and short-term of dmart. There are several ways to analyse this data using ratio analysis in research. Financial statements are prepared for the purpose of presenting a periodical review or report by the management and deal with the status of investment in the business and the result achieved during the period under review. They reflect a combination of recorded facts, accounting conventions and personal judgment and conventions applied which affect them materially. The soundness of the judgment necessarily depends on the competence and integrity of those who make and, on their adherence, to generally accepted accounting principles and conventions.

OBJECTIVES OF THE STUDY

To study the growth aspects of dmart.
To measure dmart financial results.
To analyse the liquidity and profitability position of the dmart.
To offer suggestions that are based on study findings.

RESEARCH METHODOLOGY

Source of data - money control, Motilal oswal

Period of study – 2017 to 2021

Framework of analysis – Financial statement

Tools and techniques ratio analysis

LEARNING FROM THEIR RATIOS

The standard form of quick ratio is 1:1. Liquid ratio is increased in the year 2016-17 to 2.19:1 from 0.22:1 and it has decrease to 1.18:1 in the year 2017-18 and to 0.53:1 from 0.37:1 in the year 2019-20. However, the ratio is less than the standard ratios so it is not satisfactory.

The return on working capital employed in the year 2015-2016 is 23.38% and there is decline in 2016-2017 17.83% and in 2017- 2018 and 2018-2019 there is growth of 25.43% and 25.43 %. but in the year 2019- 2020 it decreased to 16.24 %.

Net profit -the year 2015-16 net profit ratio was 3.70% then ratio increased in the year 2016-2017 it has increased to 4.06%. The net profit ratio has gradually increased in 2017-2018 as 5.22% the net profit has been developed in 2018 but it declines to 4.70% in the year 2018-2019 and in 2019-2020 it increased to 5.47% which is good for the company.

The table presents the position of return on assets. In this ratio the total assets varied from 3,081.53 to 12,084.13. Total assets have been increased. In 2015-16 the ratio of return on asset was 10.31% and in 2016-17 the ROA fall to 8.31%, then gradually return on assets was increasing from 2017-18 to 2018-19 as 13.98% and 13.38%. After 2019, it decreased to 11.17% in the year 2019-2020.

LEARNING….

The funds financed by the proprietary in the total funds in the year 2015 -16 and 201617 were 49.06% and 66.14% then it has increased slightly in 2017-18 as 82.72% and in 2018-19 decreased as 79.95%. But in the year 2019-20 it increased to 92.14%.

The total assets turnover ratio 278.27 times in the year 2015-16 and then decline to 204.77 times in the year 2016-17 and then increase to 267.42 times in the year 2017-18 and then increased to 284.61 times in the year 2018-2019 and then again decreased to 204.19 times in the year 2019-2020.

Form the above table it is analysed that the inventory turnover ratio in the year 201516 and 2016-17 was 12.99 and 12.73 times and it is increases in the year 2017-18 as 13.08 and in 2018-19 it decreases to 12.64 times and then the ratio is increasing in the year 2019-20 as 12.92 times.

REVIEW

Shareholders fund of the company showed a good number which is highly favourable for the investor, this indicates that the company is more concern about reducing the liability.

Total asset ratio of the company is good that indicates that the company is using its assets to the maximum utilization.

Inventory ratio shows how much time the inventory is used to generate the net sale rather than pushing it to inventories, here the company inventories are sold quickly that is a good sign which indicates there is less dead stock with the company and they can easily turn into funds.

Current ratio of the organization showed a good number, which means the asset the company owns is more than its liability. They should more concentrate on expanding its business on their own land.

REVIEW…

The quick ratio should be 1:1. The year 2017 and 2018 the ratio was good and after that there was a reduction in the year 2018- 19 to 2019-2020 that shows there was less liquid assets compared to current liability. So, the company should take good necessary step to increase the liquid asset of the company.

The study shows that the net profit of the company is weak, the healthy net profit should be 10 %, so the company should take precautions to increase the net profit.

The return working capital was good in the previous years but due to corona pandemic the stores was not functional as before that resulted in the reduction of ROCE ratio in the year 2020.

CONCLUSION

After the financial analysis of avenue supermarts ltd found that the company was more concern about the maximum utilization of assets and generating the profit and the ratios was good in number but weak at liquid assets that can be easily converted into cash, the company has to and entirely this company stock is a good choice for the value investor.

THANK YOU

NOTE- I have made all analysis mainly up to 2020 financial year and all data are given in attached excel sheet.